



## FISCAL HIGHLIGHTS

VOLUME 2, ISSUE 5

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[www.le.utah.gov/lfa](http://www.le.utah.gov/lfa)

**EXECUTIVE APPROPRIATIONS COMMITTEE****SEPTEMBER 19, 2006**

CO-CHAIRS

SENATOR LYLE HILLYARD &amp; REPRESENTATIVE RON BIGELOW

**Report: Federal Funds****Summary:**

Katie Rogerson, Governor's Office of Planning and Budget, presented the list of federal fund grant applications submitted since the last EAC meeting. The list showed one new application and eight reapplications requiring action by the EAC, seven new applications that have been approved by the Governor's Office, and seven reapplications for existing grants that have been approved by the Governor's Office.

**Committee Action:**

The committee approved the applications requiring EAC action.

**Staff Contact:** Juliette Tennert**Report: Tax Commission Auditors and Collectors****Summary:**

Analysts cannot prove or disprove whether adding auditor and collector positions to the Tax Commission will increase revenues. Jonathan Ball and Stan Eckersley reported to the Executive Appropriations Committee this month. Any new revenue will go into a revenue stream with so many other more influential factors that the impact of the additional employees will be statistically undetectable and unmeasurable. Auditing and collecting revenue streams have such large variances that the impact of the additional employees can not be measured at that level either.

However, if one assumes that all other factors will remain constant, the net benefit of additional auditors and collectors can be measured. Based on past performance discounted for education, training and delinquency of collections, legislative staff estimates that new auditors will bring in between \$120,000 and \$2,300,000 per year depending on what type of tax they audit (corporate, sales, or income). Staff further estimates that additional collectors will bring in about \$510,000 each.

**Staff Contacts:** Jonathan Ball & Stan Eckersley**Report: Senate Bill 175 (2003 GS) Revenue Procedures and Control Act Amendments****Summary:**

Jonathan Ball presented a report written by he and Juliette Tennert regarding credit and debit card transaction costs. Mr. Ball discussed how Senate Bill 175 from the 2003 General Session effectively jump-started on-line state services by allowing agencies to charge fees for and pay costs related to electronic payments. He noted that this law is due to expire on July 1, 2007, and that other areas of statute provide sufficient oversight for fees and fund balances.

The report recommended that the Legislature allow the provisions of S.B. 175 to sunset, but before so doing: 1.) review and revise surcharges related to electronic payments so that they accurately reflect costs, and 2.) take action to eliminate electronic payments related fund balances that have accumulated since FY 2004.

Chairman Hillyard directed the Fiscal Analyst's Office to prepare specific fee, appropriation, and statute changes to address the report's recommendations. Such changes are to be presented to relevant appropriations subcommittees during the 2007 General Session.

**Staff Contacts:** Jonathan Ball & Juliette Tennert**Report: This is the Place Park****Summary:**

This Is The Place Foundation, which is a private non-profit organization managing the This Is The Place Park since 1998, has had serious financial difficulties. To survive the challenges, the Foundation borrowed from its restricted funds to pay for its operations. This approach worked for a while, but the Foundation was not able to replenish the endowment funds. During the 2006 General Session, the Foundation approached the Utah State Legislature for financial assistance.

The 2006 Legislature provided a supplemental appropriation of \$2 million through the Department of Natural Resources (DNR) for This Is The Place Foundation. Legislative intent language required the Foundation to meet

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## EXECUTIVE APPROPRIATIONS COMMITTEE

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specific performance measures established by DNR prior to receiving the new funding.

The Foundation had told DNR administration that they have met the performance measures and in July 2006 the full \$2 million was transferred. A review performed by the Legislative Fiscal Analyst found that requirement number 2 was not completely met. The Division of Parks and Recreation did not have a representative on the Foundation's Executive Management Committee. The Foundation management admitted that this was an oversight on their part and they committed to comply.

**Staff Contact:** Ivan Djambov

**Report:** Response to the Pupil Transportation Report Presented During the July 2006 Meeting

### Summary:

The Utah State Office of Education presented a response to a Pupil Transportation Report discussed during the July 2006 Executive Appropriations Committee meeting. The response identifies four major categories of concern related to pupil transportation in the school districts:

1. Changes in Federal Law - emission requirements passed by the Environmental Protection Agency will impact the purchase price of new school busses over the next several years.
2. Statutory Funding Formula - not adjusting the reimbursement rates for the statutory pupil transportation finance formula each year has resulted in the actual costs associated with district transportation expenditures exceeding the amount of revenue allocated through the Minimum School Program. USOE estimates that the differential has grown over time from approximately \$25.9 million in FY 2001 to \$36.7 million in FY 2005.
3. Disparity in District Funding Levels - USOE determined that the disparity in state funding levels among the school districts is a result of differences in geography and demography rather than the efficiency of individual school districts.
4. Auditing and Bus Replacement - USOE is investigating options to improve oversight of district transportation programs. Also, USOE will conduct over the next several months a cost-benefit analysis of keeping a school bus over 200,000 miles of use.

### Committee Action:

The Committee passed a motion referring further action on the recommendations made in the Pupil Transportation Report to the Public Education Appropriations Subcommittee.

**Staff Contacts:** Ben Leishman, Derek Byrne

**Report:** Parks and Recreation Capital Improvement Funding

### Summary:

In FY 2006 the more than 80 capital maintenance and improvement projects in 29 of the 41 State Parks were completed. The projects ranged from fixing old bathrooms to building new campgrounds, entrance stations, and roads. The total construction cost was \$6.2 million.

In a review of Parks' capital expenditures, the Fiscal Analyst concludes that the majority of the capital improvement projects in FY 2006 directly benefited the park visitors. It was estimated that

less than three percent (less than \$180,000) of the total capital funding was spent for projects primarily benefiting Parks' staff. These benefits generally provide staff with better working conditions. Most of this money was spent on the demolition and the construction of the entrance stations at Rockport State Park (\$96,100) and Dead Horse Point State Park (\$71,700). The new entrance station at Rock Port, for example, included heating and a restroom for staff. Though they directly benefited park staff, these projects also added to the overall appeal of the two parks.

There were other projects that provided direct benefits to both Parks' visitors and staff. This was the case, for example, with the new visitor center at the Goblin Valley State Park. The new facility will serve the visitors by providing them with information and exhibits about the area, and the staff by providing them with the needed office space.

The Division has an account with a growing nonlapsing balance that can be used for capital improvements on boating parks. The Analyst recommends better utilization of these funds when appropriate.

**Staff Contact:** Ivan Djambov

**Report:** Utah Commission on Aging

### Summary:

The first annual report of the Utah Commission on Aging was presented to the Executive Appropriations Committee by Maureen Henry, the Executive Director of the Utah Commission on Aging and the Chair of the Commission, Norma Matheson. The report highlighted demographic trends for the state of Utah relating to the aging population.

- ◆ Utah's dependency ratio (individuals age 0-18 and 65+) will increase from 65.5 to 88.1 by 2050.
- ◆ In 2006, the 65+ population for Utah is projected to grow by 4,167 and peak at 13,186 by 2020.
- ◆ The 85+ population for Utah will increase by 110% from 2006 to 2030 compared with an 80% increase nationally (28,340 in 2006 to 59,470 in 2030).
- ◆ 64.5% of Utah residents 55+ are obese or overweight

The Commission focused on four policy areas to mitigate the impacts associated with the expected growth in the aging population:

- ◆ Financial Security – Improve savings for retirement and long-term care; and put a system in place to reduce fraud and financial exploitation of the elderly.
- ◆ Healthy Aging – Accountability and incentives for healthy lifestyles.
- ◆ Quality Information and Referral Services – Access to information on services available for the elderly and their care givers to help them remain independent as long as possible.
- ◆ Healthcare – Coordination of healthcare to effectively manage individuals with multiply healthcare issues to improve outcomes and control costs.

Copies of the full report are available through the Utah Commission on Aging, please contact Maureen Henry at 538-4435 or Lorna Koci at 538-4419.

**Staff Contact:** Debra Headden

## APPROPRIATION SUBCOMMITTEE MEETINGS

### SUMMARIES

#### *Capital Facilities & Administrative Services Appropriations Subcommittee*

*Co-chairs: Senator Bill Hickman & Representative Gregg Buxton*

On August 21 and 22 the subcommittee joined the State Building Board for a tour of anticipated capital development requests across the state. The tour helped committee members see existing building conditions, proposed land purchases, and potential development sites. Stops included St. George (new DSC commons building, new courthouse, new UDOT visitors center, and a DXATC land purchase), Cedar City (SWATC land purchase and SUU Science Center addition), Richfield (new regional center), Highland (new MATC building), and Salt Lake County (combined Tax Commission/Driver License building). Combined with last year's tour, subcommittee members have been able to see most of the requests that will come before the Legislature in the 2007 General Session.

**Staff Contact:** Steve Allred

#### *Executive Offices & Criminal Justice Appropriations Subcommittee*

*Co-chairs: Senator David Thomas & Representative David Hogue*

On September 22, 2006, the EOCJ Appropriations Subcommittee held an interim meeting at the Central Utah Correctional Facility (CUCF) in Gunnison, Utah. The subcommittee heard presentations on the following topics:

- The Larry H. Miller Building
- The State Crime Lab
- The Bureau of Criminal Identification
- DJJS Rural Programs
- Attorney General FTEs
- Department of Corrections Treatment Programs

After the meeting, EOCJ subcommittee members toured the Gunnison Correctional facility. Currently, the CUCF has a maximum capacity of over 1,100 inmates. An additional 288 beds are under construction and should be online by February 2007. During the 2006 General Session, the Legislature approved a 192-bed pod for the CUCF. The Department of Corrections' 10 year planning documents recommend adding over 850 new beds at the Gunnison facility by 2012.

**Staff Contacts:** Derek Byrne & Gary Ricks

#### *Natural Resources Appropriations Subcommittee*

*Co-chairs: Senator Thomas Hatch & Representative Bradley Johnson*

On August 28 and 29, 2006 the members of the Natural Resources Appropriations Subcommittee and the members of the Natural Resources, Agriculture, and Environment Interim Committee visited Snake Valley, Utah. The main goal of the visit was to get better acquainted with issues concerning the Southern Nevada Water Authority's plans to draw water from the valley. The members of the two committees visited different sites in the area, held public meeting with Snake Valley residents and met with a group of Nevada Legislators.

**Staff Contact:** Ivan Djambov

#### *Joint Public & Higher Education Meeting*

*Co-chairs: Senator Howard Stephenson & Representative Gordon Snow, Senator Gregg Bell & Representative Kory Holdaway, Senator Howard Stephenson & Representative Margaret Dayton*

On September 21, 2006 a Joint Public and Higher Education meeting was held. The meeting included the Public Education Appropriations Subcommittee, Higher Education Appropriations Subcommittee, Education Interim Committee, State Board of Regents, and the State Board of Education.

In the morning session participants discussed the issue of student participation, preparation and remediation. In addition, participants heard presentations on student assessment and the Concurrent Enrollment program. There was a discussion as to what could be done to help clarify roles and responsibilities for Public Education and Higher Education in providing Concurrent Enrollment.

In the afternoon session there were presentations on Teacher Quality and Compensation. Participants discussed potential solutions that could be introduced to help increase the number of teachers and enhance salaries.

Senator Bell and Representative Holdaway made a presentation on a potential measure that could help families with tuition at institutions of higher education. Concluding the afternoon session was a presentation on Education Revenue Stability, Predictability, and Revenue Shifting.

**Staff Contacts:** Spencer Pratt, Ben Leishman, Danny Schoenfeld

#### *Commerce & Revenue Appropriations Subcommittee*

*Co-chairs: Senator Mark Madsen & Representative Peggy Wallace*

The subcommittee met on August 30, 2006 at the Workforce Services' Building in Salt Lake City.

- The Legislative Auditor General's office presented a performance audit of the Utah Occupational Safety and Health Division of the Labor Commission.
- Larry Patrick, UOSHA Administrator, and Sherrie Hayashi, Commissioner responded.
- Stan Eckersley, Fiscal Analyst, presented the Tax Commission Auditors and Collectors Report. Rod Marelli, Tax Commission Executive Director, responded.
- Rod Marelli was then joined by Kevin Van Ausdale to present a progress report on the new data processing system. The system is an off-the-shelf system that is already working in other states. It will need to be modified to reflect Utah's tax code.
- Tani Downing, Workforce Services Executive Director, and Marvin Dodge, Chief Financial Officer explained what the department intends to do in response to the federal Deficit Reduction Act and the General Assistance shortfall.
- Greg Gardner, Workforce Services Deputy Director and Steve Fletcher, Chief Information Officer, State of Utah presented a progress report on eREP. The Medicaid Module will be delivered six months late, costing the state an additional two million dollars.

**Staff Contact:** Stan Eckersley



## Health & Human Services Department of Health

### Utah's Community Health Centers

The Legislative Fiscal Analyst recently reviewed the Community Health Centers programs with visits to locations in Ogden and Provo.

Utah's eleven community health centers with 24 sites statewide served more than 84,500 patients in 2005. Over 61 percent or 51,865 of their patients served that year were uninsured. Approximately 16.4 percent, or 13,844 were enrolled in Medicaid and 61 percent of patients were of an ethnic or racial minority. As such, the health centers plays a role in the state's primary health care system, particularly for uninsured residents, minority populations, Medicaid recipients, and residents of Utah's sparsely populated rural areas.

Funding for the Community Health Centers comes from a variety of Federal, State, Local and Private sources. The Table below details the 2005 funding.

#### Community Health Center Funding 2005

Grant Revenue Sources	% of Total	Amounts	Totals
Federal	27.0%	\$11,509,043	
State/Local/Indigent Programs	3.5%	1,475,169	
Private	8.1%	3,444,449	<b>\$16,428,661</b>
<b>Patient Service Revenue Sources</b>			
Patient Self-Pay	17.8%	\$7,571,363	
Medicaid	23.0%	9,814,827	
Medicare	3.4%	1,460,829	
CHIP / Other Public	0.4%	179,480	
Private Third Party	9.3%	3,979,580	<b>\$23,006,079</b>
<b>Other Revenue Sources</b>	7.5%	\$3,176,289	<b>\$3,176,289</b>
<b>2005 Total Revenue</b>			<b>\$42,611,029</b>

## SAVE THE DATE UPCOMING APPROPRIATIONS MEETINGS

- **Higher Education**  
October 19, 2006 - Time and Location to be Announced  
**Staff Contact:** Spencer Pratt
- **Health & Human Services**  
November 14, 2006 - 9:00 am to 12:00 pm  
Location: State Capitol Complex  
**Staff Contact:** Bill Greer & Debra Headden

### Utah Experiences Very Active West Nile Virus Season

West Nile virus (WNV) has been very active in Utah this year. As of September 9, 2006, the Utah Department of Health (UDOH) reported that WNV had been found in 99 people and confirmed that four individuals had died from illness related to the virus.

The risk of WNV continues to exist statewide. Mosquitoes carrying West Nile virus will continue to be around throughout September and even into October in warmer areas of the state. However, active surveillance of the virus will end on September 22.

Staff from the Utah Department of Health and the Department of Agriculture and Food, along with local health departments, local mosquito abatement districts, and the Division of Wildlife Resources, are all collaborating to track and monitor WNV in Utah. Local Mosquito abatement districts are working to reduce the number of mosquitoes that can spread the disease. They will continue these efforts throughout the 2006 mosquito season.

The Health Department efforts are directed by the State Epidemiologist. State funding for this position started July 1, 2006 with the building block approved at the 2006 General Session.

**Staff Contact:** Bill Greer

## Utah State Legislature - 4th Special Session Summary September 19, 2006

### Senate Bill 4001 - Income Tax Amendments

The Legislature enacted SB 4001 – Income Tax Amendments in the 4<sup>th</sup> Special Session. The bill enacted four key provisions. First, income tax brackets were expanded to achieve a top bracket of \$11,000 from the current top bracket of \$8,626. Second, the top rate under the current system was dropped from 7 percent to 6.98 percent. Third, an alternative flat tax of 5.35 percent was adopted allowing filers to elect to file under the current system or adopt the flat tax. Under either system current income tax credits are allowed. Finally, the brackets are indexed for inflation beginning in FY 2009. The total cost of the changes based on February 2006 forecasts was \$66 million in FY 2007 and \$78 million in FY 2008. The bracket impacts are effective in CY 2006 with the flat tax becoming effective in CY 2007.

**Staff Contact:** Andrea Wilko

### House Bill 4001 - Local Option Funding for Regionally Significant Transportation Infrastructure

The Legislature authorized a .25 percent local option sales tax in HB 4001 - Local Option Funding for Regionally Significant Transportation Infrastructure. All counties are authorized to implement the sales tax increase if adopted by the county in a general election. Revenue generated after implementation can be used for corridor preservation, on state roads of regional significance, public transit, local roads of regional significance, and airports. Counties are prohibited from using property taxes for these purposes if they implement the local option sales tax. Entities could decide to implement the legislation as early as the November general election.

**Staff Contact:** Andrea Wilko & Mark Bleazard

## Capital Facilities & Administrative Services

### ***Higher Education Develops Priority List for Capital Development Projects***

Approximately two thirds of state-owned facility square footage is in higher education. As such, most of the state's capital facilities needs are also in higher education. The Board of Regents recently met and voted on its priorities for capital development requests for the upcoming 2007 General Session. Priorities are shown below. Cost estimates are state funds only.

1. WSU Buildings 1 & 2 Replacement & Chiller Plant, \$22.7M
1. UU College of Nursing Renovation/Expansion, \$14.5M
2. USU Agriculture Building Replacement \$54.0M
3. SLCC Digital Design & Communication Center, \$43.0M
4. Snow College Library/Classroom, \$17.7M
5. UVSC Science Building Addition, \$52.8M
6. SUU Science Building Addition, \$20.5M
7. DSC Centennial Commons, \$TBD
8. UU Campus Learning Center, \$TBD

As for CEU, the Board of Regents will request capital dollars in the amount of \$2.2M to pay off dormitory mortgages.

The UCAT Board of Trustees has also recently prioritized its capital development requests as:

- MATC Northern Utah County Building, \$14.3M
- DATC Technology/Manufacturing Building, \$12.0M
- OWWATC Health Technology Building, \$14.3M
- SEATC Carbon-Emery Campus Building, \$2.2M
- 1 (Land) DXATC Land Purchase, \$5.9M
- 2 (Land) SWATC Land Purchase, \$2.3M

On October 4 the State Building Board will meet to hear presentations from all state agencies and institutions, and will make its prioritized recommendations on October 19.

**Staff Contact:** Steven Allred

## Transportation, Environmental Quality & National Guard

### ***High Level Nuclear Waste News***

The State of Utah gained a couple of wins recently in their years long effort to not have high level nuclear waste stored on the Goshute Indian Reservation in Tooele County. The Bureau of Indian Affairs disapproved the proposed lease between the Skull Valley Band of Goshute Indians and Private Fuel Storage, L.L.C. to store approximately 40,000 tons of high level nuclear waste for up to forty years on reservation lands.

A second blow to the agreement came when the Bureau of Land Management issued a record of decision that rejected applications from Private Fuel Storage, L.L.C. to seek right-of-way grants to transport spent nuclear fuel across public lands managed by the BLM.

These actions have the potential of ending the long standing battle to disallow storage of high level nuclear waste in Utah.

**Staff Contact:** Mark Bleazard

### ***Tolling Analysis Findings - Mountain View Corridor***

The Department of Transportation has released the "Tolling Analysis Findings" for the Mountain View Corridor. Components used to determine feasibility of tolling in the corridor included:

- Technology
- Toll Rates
- Traffic analysis and to revenue
- Project Costs and construction phasing
- Financial structure

As any one of these components change the outcome of another will be affected. One scenario assumed state ownership, development, and operation of the 39.5 mile corridor from I-80 in Salt Lake County to I-15 in Utah County. The scenario included tolls of seven and one half cents per mile at off peak hours and fifteen cents per mile at peak hours will charged electronically to each vehicle. The analysis found that at this time tolling will cover approximately two-thirds of the cost to build the Mountain View Corridor. Other funding sources will be needed to fund the remaining cost of construction.

**Staff Contact:** Mark Bleazard

### **NEW LFA STAFF**

We would like to welcome a new addition to the Fiscal Analyst staff:

DANNY SCHOENFELD

Danny has extensive service experience in state government. He has worked for Workforce Services, the Division of Facilities Construction & Management, and most recently he worked as an auditor in the Legislative Auditor General's Office.

Danny will work with Ben Leishman on Public Education funding issues and as a staff person for the Public Education Appropriations Subcommittee.

## Rainy Day Funds

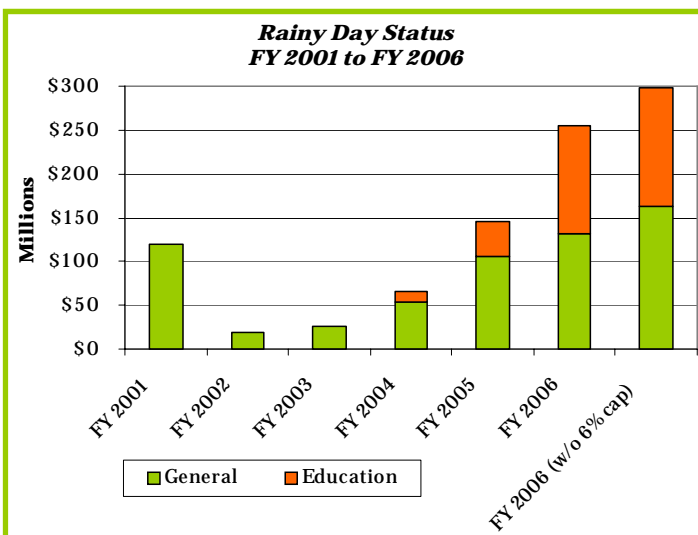
### *How Much Did We Sock Away for a Rainy Day?*

Used to be that Utah citizens could rest easy knowing the state automatically put 25% of any year-end surplus into savings accounts. No longer. The Utah Division of Finance announced last week a \$380 million preliminary FY 2006 surplus. Of that amount \$78.5 million went immediately into two rainy day funds. If one does the math, one finds that transfers to the rainy day funds were 20.7% of the total surplus, not 25%.

State law does require the Division of Finance to transfer 25% of year end General Fund surpluses into the General Fund Budget Reserve Account and 25% of year-end School Fund surpluses into the Education Budget Reserve Account. But statute also curtails the automatic transfers once the combined total of both accounts reaches 6% of a fiscal year's General and School Fund appropriations. For this year's transfers, the combined funds reached 6% of FY 2006 appropriations when Finance got to 20.7% of the surplus.

On top of base 25% transfers, if the state has borrowed from either rainy day account, statute directs Finance to transfer an additional 25% of year-end surpluses into the lending rainy day account to repay the loan. This second 25% transfer continues until the combined total of all repayments equals the amount of the loan.

In fiscal year 2002 the state borrowed \$105 million from the General Fund Budget Reserve Account. Since then we have repaid only about \$54 million. However, this second 25% repayment transfer is also subject to the 6% cap. So, even though loan principle is still outstanding, the Division of Finance cannot automatically transfer the additional 25% of year-end surpluses to repay the loan.



The figure above shows the status of the state's rainy day funds. After FY 2006 transfers, the general rainy day fund stands at \$132 million and the education rainy day fund at \$123 million, for a combined total of \$255 million. Without the 6% cap, the total would have been \$298 million.

While statute does not allow Finance to automatically transfer a full 25% to the rainy day funds, the Legislature can certainly appropriate the additional 4.3%. To do so would cost \$16.3 million. Similarly, the Legislature could appropriate the 25% General Fund Budget Reserve Account repayment, with intent language stating its purpose, for a cost of \$27 million. And, we would still have \$256 million left over.

**Staff Contact:** Jonathan Ball



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